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## United States Senate

COMMITTEE ON SMALL BUSINESS  
WASHINGTON, DC 20510-6350

June 30, 1999

The Honorable Deidre Lee  
Administrator  
Office of Federal Procurement Policy  
Executive Office Building  
Washington, D.C. 20503

Dear Administrator Lee:

If the requirements for Small Business Administration (SBA) certification under the Federal government's Small and Disadvantaged Business (SDB) program had become effective on July 1, 1999, a serious inequity would have affected many of our Nation's small businesses seeking to contract with the Federal government. In particular, I had serious concerns about the impact the certification requirement would likely have had on the ability of Federal agencies, such as the Department of Defense (DoD), to continue to meet its SDB contracting and subcontracting goals mandated in 10 U.S.C. 2323.

Information the Senate Small Business Committee has received from small business owners, small business trade associations and other organizations representing small businesses that would be required to certify or have their subcontractors certify under the program, indicates that a relatively small number of active SDB's are currently certified under the SBA requirement. Moreover, most of these certified SDB's received their certification on the basis of participation in the SBA 8(a) program, rather than completion of the new certification process. This is especially true in the subcontractor base.

The Committee has learned from representatives from SBA's Office of Government Contracting & Minority Enterprise Development (OGCMED) that their office may not have been able to process the submission of SDB certification applications in a timely manner, especially if there is a flood of applications submitted to the agency right before the old July 1 deadline. If SBA estimates are correct, OGCMED would have had to process potentially thousands of applications. For example, one large Defense Department contractor estimates that less than 2 percent of its active SDB supplier base is certified or has begun the certification process. Other surveys of large contractors reveal low certification levels among their SDB suppliers as well.

This situation could potentially have resulted in drastic reduction in SDB participation in Federal government contracting and subcontracting beginning July 1, 1999. The resulting turmoil would have sent the wrong signal at a time when a substantial and growing coalition of Federal agencies and businesses are demonstrating their commitment to increasing the participation of minority businesses in our prosperous national economy.

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Therefore, I support the Federal Acquisition Regulation (FAR) Council's decision to postpone the effective date of the SDB certification rule until October 1, 1999. This will allow OGC MED, as well as the entire FAR Council, to handle not only the influx of SDB certification applications, but also to consider the following issues:

1. What is the impact of the certification requirement on the Federal agencies' ability to meet the statutory 5 percent SDB contracting and subcontracting goals in fiscal year 2000 and beyond?

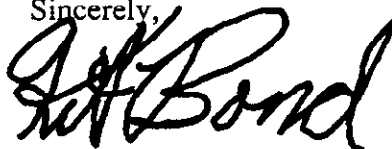
2. Will SBA offer reciprocity to those small firms participating in the Department of Transportation (DOT) Disadvantaged Business Enterprise Program, including certain women-owned firms now classified as disadvantaged under DOT, but not classified as disadvantaged under SBA guidelines?

3. To what extent have small business prime contractors not having SDB certification from the SBA been denied contracts, even though the rule is not yet in effect? To what extent have small business subcontractors been denied subcontracts with prime contractors who have been told by contracting officers that their subcontractors must be SDB certified for them to receive credit toward their subcontracting goals?

As part of the delay in implementing the certification requirement, I urge the FAR Council to notify all Office of Small and Disadvantaged Business Utilization representatives and appropriate contracting officers instructing them that until the effective date of the rule, no small firm should be denied a contract because it lacks an SBA SDB certification.

Thank you for your attention to this important matter. I look forward to your reply.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Bond", written over a horizontal line.

Christopher S. Bond  
Chairman

cc: Eleanor Specter, Department of Defense, FAR Councilmember  
Ida Ustad, General Services Administration, FAR Councilmember  
Tom Luedtke, National Aeronautics and Space Administration, FAR Councilmember  
Aida Alvarez, Administrator, Small Business Administration